

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 232 [CW317E]
DATE OF PUBLICATION: 22 MAY 2015

232. Ms E C van Lingen (Eastern Cape: DA) to ask the Minister of Finance:

- (1) With reference to a reply to Question 215 on 12 November 2014 by the Minister of Cooperative Governance and Traditional Affairs, what is the current income of each municipality identified in the reply in respect of (a) the real Rand value, (b) the percentage of total income it constitutes and (c) any outstanding (i) rates and (ii) taxes already taken into account;
 - (2) what processes have been followed by the National Treasury to provide support to these municipalities in accordance with the various mechanisms contained in the (a) Constitution and (b) Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), in each case specifying the (i) type of support, (ii) length of time provided and (iii) successes achieved through the provision of the various support mechanisms?
- CW317E

REPLY:

1(a) and (b)

The following table reflects on the annual revenue from property rates for the 2013/14 municipal financial year and what percentage it contributes towards the total revenue in the 11 municipalities referred to in the reply to Question 215 on 12 November 2014 by the Minister of Cooperative Governance and Traditional Affairs.

| Municipality | Rands per Thousands | Percentage of total revenue |
|------------------------|----------------------------|------------------------------------|
| Ba-Phalaborwa | 58 748 | 19.0% |
| Emakhazeni | 31 358 | 19.5% |
| King Sabata Dalindyebo | 141 824 | 16.0% |
| Kou-Kamma | 13 364 | 9,8% |
| Masilonyana | 15 076 | 6.9% |
| Mbhashe | 4 538 | 2.4% |
| Mbizana | 8 587 | 3.9% |
| Mtubatuba | 19 245 | 14.9% |
| Ngquza Hills | 7 938 | 5,2% |
| Ntabankulu | 2 564 | 2.2% |
| Port St Johns | 6 629 | 5.0% |

Property rates on average for the listed municipalities are around 9.5 per cent of the total revenue, ranging between 19.5 per cent to as low as 2.2 per cent. National Treasury does not have information on the real Rand value of properties in these municipalities and is therefore not able to indicate what percentage this constitutes of the annual revenue collected from property rates. But such information should be available in the municipalities' variation rolls which should be accessible to the Hon. Member.

(1) (c)

The outstanding debtors in terms of (i) rates and (ii) taxes as at the end of the 2013/14 financial year for the list of municipalities were as follows:

| Municipality | Outstanding Debtor amounts for Property Rates as at the end of 2013/14. The report is done per R'000 | Outstanding Debtor amounts for other debt than property Rates as at the end of 2013/14. The report is done per R'000 | Outstanding Debtor amounts as at the end of the 2013/14 financial year. The report is done per R'000. | Amount written off during the year under review. (These amount were already deducted from the amounts as it appears in this table) |
|------------------------|---|---|--|---|
| Ba-Phalaborwa | n/a | n/a | 217 730 | |
| Emakhazeni | n/a | n/a | 79 661 | |
| King Sabata Dalindyebo | 3 845 | 39 666 | 43 511 | |
| Kou-Kamma | 120 | 48 102 | 48 222 | |
| Masilonyana | n/a | n/a | 325 994 | |
| Mbhashe | n/a | n/a | 21 397 | |
| Mbizana | n/a | n/a | 20 151 | 2 317 |
| Mtubatuba | n/a | n/a | 50 545 | |
| Ngquza Hills | n/a | n/a | 39 449 | |
| Ntabankulu | n/a | n/a | 10 020 | |
| Port St Johns | n/a | n/a | 19 605 | |

The reference to “n/a” means that the municipalities did not provide the information.

The amounts in the table exclude impairment (provision for bad debts) and the only municipality that physically wrote anything off any debt during the reporting period was Mbizana local municipality. To explain the amounts further, they consist of the amount that was levied against the consumer account before the municipality applied their debt impairment policy and making provision for possible bad debts. The fact that a municipality made provision for possible bad debts does not mean that the municipality did any write-offs but rather that they are cautious in scrutinizing the outstanding debtors and making provision for possible non-payment.

The majority of the outstanding debt is the interest that was charged on the outstanding amount, which in the case of the listed municipalities is around half a billion Rand.

2) - Practical support to the listed municipalities currently and in the past through various programs were as follows:

Support, through the two Phases of the Municipal Finance Improvement Programme (MFIP), have been provided to the following municipalities:

| Municipality | Support Programme | Period | Support Modality |
|------------------------|--------------------------|-------------------------|-------------------------|
| Ba-Phalaborwa | MFIP I | April 2011 – March 2014 | Full-time Advisor |
| Masilonyana | MFIP I | April 2011 – March 2014 | Full-time Advisor |
| Kou-Kamma | MFIP I | March 2012 – March 2014 | Full-time Advisor |
| King Sabata Dalindyebo | MFIP I | Jan 2012 – Apr 2012 | Full-time Advisor |
| Emakhazeni | MFIP II | Jan 2015 to date | Full-time Advisor |

In all instances the modality of support was through the placement of a full-time Advisor at the municipality. The Advisors were required to prepare, in consultation with the Mayor, MMC for Finance, MM and CFO, a detailed support plan setting out both the institutional and technical matters that needs to be addressed in order to:

- Assist in contributing towards the financial viability and sustainability of the municipality;
- Improve the capacity of municipalities to implement the MFMA and fruitfully engage in the processes institutionalized by the National and Provincial Treasury;
- Improve overall compliance to the MFMA; and
- Overall improved financial management performance.

A high level overview of the content of these support plans are as follows:

| Institutional Matters | Technical Matters |
|--|---|
| A Council approved MFMA Implementation Plan | Budgeting and financial planning |
| Establishment and effective operation of a MFMA Steering Committee | Accounting, GRAP and reporting (including in-year reporting and monitoring) |
| A review of the BTO and Internal Audit (IA) organogram | Revenue Management |
| Recruitment and retention of BTO and IA officials | Cash, banking, investment and borrowings |
| Development of training and development plans for BTO and IA Officials | Expenditure Management |
| Recruitment and retention of five financial management interns | Supply Chain Management (including contract management) |
| Development of rotational work-plans for finance management interns as necessary | Asset Management |
| Staff development on financial management related matters | Internal audit and Audit Committees |
| Review and adoption of MFMA delegations. | Other Matters such as FMCMM and FMG |

At the conclusion of Phase I of the Program, detailed progress reports setting out the achievements to date, outstanding support plan matters and proposed strategies to address these outstanding matters were prepared by the Advisors, reviewed by the National Treasury and forwarded to the respective municipalities as well as Provincial Treasuries.

Close-Out Reports are also available for:

1. Ba-Phalaborwa
2. Masilonyana
3. Kou-Kamma

Throughout the MFIP Phase I various capacity building sessions, covering various topics were convened at the respective municipalities with the following table providing more details regarding the number of capacity building sessions and the number of officials that attended.

| MUNICIPALITY | BUDGET | CASH, BANKING, INVEST, BORROW | ACCOUNTS, GRAP AND REPORTING | INTERNAL AUDIT AUDIT - COMMITTEE | FMG, MONITOR IND, FMCMM | SUMMARY |
|---------------------|--------|--|------------------------------------|---|-------------------------------|---------|
| Eastern Cape | | | | | | |
| Koukamma | 8 | 0 | 10 | 0 | 0 | 18 |
| KSD | 0 | 0 | 0 | 0 | 0 | 0 |
| Free State | | | | | | |
| Masilonyana | 2 | 0 | 0 | 0 | 0 | 2 |
| Limpopo | | | | | | |
| Ba-Phalaborwa | 0 | 1 | 2 | 1 | 0 | 4 |

Support was only provided to King Sabata Dalindyebo for a period of 4 months and as such no formal close-out report was prepared.

Support at Emakhazeni only commenced on 20 January 2015 and therefore also no close-out report.